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FISCAL IMPACT STATEMENT

LS 6925

BILL NUMBER: HB 1149

NOTE PREPARED: Jan 5, 2013

BILL AMENDED:

SUBJECT: Fire Territory Debt.

FIRST AUTHOR: Rep. Messmer

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that for purposes of the 2% debt limitation, a fire protection territory (FPT) is considered to be a separate political subdivision, and bonds and other debt issued by or incurred by the provider unit on behalf of or for purposes of the FPT are considered to be debt of the FPT.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* This bill would increase the maximum debt under the constitutional debt limit by about \$407 M. If additional debt is incurred, debt levies would increase. The levy increases would cause tax rates to increase and would potentially result in an increase in circuit breaker losses for local civil taxing units and school corporations that intersect with the FPTs. The actual impact would depend on local action.

Background: Under current law, the legislative bodies of at least two contiguous taxing units may establish a fire protection territory (FPT). All units involved in the FPT are participating units, one of which is the provider unit. During the first three years of the territory's existence, the participating units each impose a property tax levy to support the FPT. After three years, the provider unit imposes a levy and tax rate upon all

of the property in the FPT and the other participating units' levies for fire protection are eliminated.

Under this bill, debt that the provider unit incurs on behalf of the FPT would count against the FPT's debt limit and would not count against the provider unit's own debt limit.

In CY 2012 there were 45 taxing units that acted as provider units for FPTs. The combined assessed value of the FPTs was \$20.35 B. At the 2% debt limit, the provider units could borrow up to about \$407 M on behalf of the FPTs.

State Agencies Affected:

Local Agencies Affected: Fire protection territories and provider units.

Information Sources: Local Government Database, Department of Local Government Finance.

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